INTEGRE ADVISORS

October 18, 2006

Dear Client:

In the third quarter the Federal Reserve stopped raising short-term rates and oil prices declined substantially. As a result, the S&P 500 increased by 5.6%, rebounding off of its second quarter decline. For the first nine months of the year the S&P was up 8.6%.

For the quarter, our diversified equity composite increased 0.6% net of fees; our concentrated equity composite increased 0.4% net of fees. For the first nine months of the year our diversified composite was up 0.1% and our concentrated composite was down 0.7%.[1]

Our underperformance this quarter was largely due to our investments in consumer cyclicals, a sector that has been quite profitable for us in the past. But this quarter the long predicted spending slowdown finally materialized and even oil's twenty percent decline off of its August 7th peak proved to be too little, too late for the normally resilient American consumer. On the contrary, there was reduced demand for discretionary items such as high-end real estate and trendy clothing. We are now pricing a more pessimistic economic scenario into our risk/reward models.

Our new purchases this quarter include companies that sell such basic goods and services as intimate apparel, tax-preparation, bill payment and banking. We believe that each of these companies is attractively valued for non-fundamental reasons: a spin-off, seasonality of earnings, a temporary slow-down in sequential growth and an increase in spending designed to stimulate revenue growth. We believe the market is overestimating the impact of these short-term issues and therefore missing the forest for the trees. As earnings are reported we expect that these stocks will trade up to fair value.

[1] Performance figures are unaudited. Past performance may not be indicative of future results and every investment program has the potential for loss as well as profit. The diversified equity composite is the dollar-weighted linked monthly return of those accounts sharing the objective of a diversified equity portfolio that are greater than $250,000 in size. The concentrated equity composite is the dollar-weighted linked monthly return of those accounts sharing the objective of a concentrated equity portfolio that are greater than $250,000 in size. Accounts are added to the composite on the first day of the month following our first 30 days of managing the account and must be in the composite for a full calendar quarter before inclusion. Portfolios are excluded as of the last full calendar month under management or at such prior date as Integre Advisors receives notice of termination. Individual account results will vary from that of the composite based on fee structures, investment restrictions, the timing of contributions and withdrawals and other factors. Comparisons to the S&P 500 Total Return are for informational purposes only, as the composites may hold securities not in the S&P 500 and may have more or less volatility and risk than an investment in the S&P 500.

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On the corporate front, we are pleased to announce the launch of the Integre Offshore Fund. The fund will allow non-U.S. citizens the opportunity to invest with Integre Advisors. It will have monthly liquidity and be based in the Cayman Islands. Please contact us if you would like to learn more about the fund.

Lastly, we are enclosing a copy of a *Wall Street Journal* article about one of our holdings, an HMO which we bought after its share price dropped due to concerns about its options pricing practices. We think you will find it interesting.

With all best wishes for a wonderful fall--

Sincerely,

Emanuel Weintraub, CFA
Managing Director